

Oral Testimony – October 30, 2017

Massachusetts Legislature Joint Committee on Financial Services

Dr. David Lustbader, President, Massachusetts Dental Society

**In support of H.2197, “An Act Concerning Dental Service Corporations”
(2017)**

Introduction

Good Morning members of the Committee on Financial Services. Thank you Chairmen Michlewitz and Eldridge for the opportunity to testify on this crucial piece of legislation. My name is David Lustbader, and I am the President of the Massachusetts Dental Society (“MDS”). MDS represents nearly 5,000 members, or approximately 80% of all dentists in the Commonwealth. The MDS urges this committee to carefully review *An Act Concerning Dental Service Corporations* and pass it favorably.

In December 2016, Delta announced to providers that it was transitioning its business from Chapter 176E non-profit dental service corporation, to a for-profit subsidiary under Chapter 175. It told providers that to continue to participate in the business transferred to for-profit Delta, they would have to sign a new contract and join a new provider network, of which it had no patients within this network. Delta used coercion over education to ensure providers would sign onto this new contract. It threatened to impose a 1-year “lockout” on providers who did not sign

by their 1 month deadline. Only under pressure from this Legislature and the Division of Insurance did Delta agree to extend the deadline to February 28, 2017.

Delta has argued publicly that this change was necessary to be able to compete with lower priced dental plans. The reality, however, appears to be that Delta is more focused on profits than providing affordable dental plans. In 2013 Delta reported over \$364 million in admitted assets and over \$280 million in capital and surplus. Its President received over \$7 million in salary and other income in fiscal year 2015 from one of non-profit Delta's for-profit entities. Further, under the non-profit status Delta provides coverage to over 5,000 Massachusetts-based businesses and 2.2 million members. It contracts with over 95% of Massachusetts dentists.

What Delta is suggesting is that the only way for it to provide affordable dental plans is to cut the amount of money it is willing to pay for care. To my knowledge, Delta has not once stated publicly that it is reviewing executive salaries and benefits to help decrease costs for consumers. It has not stated publicly that it is reviewing its spending on marketing, advertising, and other administrative functions to help decrease costs for consumers.

Quite frankly, this seems to be happening on an annual basis where dental benefits companies decrease what they are willing to spend on care under the guise of selling more lower cost plans. We understand that all entities, including

health care providers, are responsible for doing their part in containing health care costs, but we are getting awfully close to the tipping point. If this legislature continues to allow dental benefits corporations to institute policies which put profit over patient care, either the standard of care will drastically lower or the number of dentists operating in this state will drastically decrease.

The MDS appreciates your consideration in this matter. H.2197 will ensure that any for-profit subsidiary of a chapter 176E dental service corporation is held to the same appropriate guidelines and regulations as the parent non-profit corporation. The MDS urges this committee to report the bill favorably.